Volume 12 No. 1, September 15, 2005

CHAIRMAN'S MESSAGE – Leonard Blocka

The past dairy year was one of transition to the new market reality of producing only for the domestic market with little room to export. Under stringent production disciplines imposed on the national system, Saskatchewan producers are to be congratulated for enhancing their efforts to manage their production more effectively. Thanks to your collective contribution, the province as a whole almost filled its quota allocation, finishing the dairy year at 99.46% quota utilization.

Milk Board members heard producer concerns as they adjusted to the new circumstances, and understood the difficulties encountered by producers in utilizing the policy tools available to them. As a result, the Board has introduced a major change to the Quota Management Policy, and has established a voluntary Quota Swap Exchange so producers have more flexibility and choices as they manage their production throughout the year. **Please read and study the special Bulletins on these items sent out earlier for your information. Be in touch with the Board office if you need further clarification.**

Please keep in mind that quota will continue to be managed on a yearly basis, as will quota swapping.

In addition, the industry will be challenged on many fronts in its efforts to maintain its viability, and to achieve market growth. At the regional level, high priority will continue to be placed on developing and implementing a new fluid pricing mechanism in conjunction with other Western Milk Pool partners. The Milk Board will also do its utmost to represent the interests of the Saskatchewan industry at the national policy table, while consulting closely with industry stakeholders.

On behalf of the Milk Control Board members and staff, I wish you a most successful new dairy year.

QUOTA EXCHANGE

The first butterfat Quota Exchange of the 2005-2006 dairy year was conducted on September 15, 2005. The market-clearing price for Unused Quota Exchange was **$66.00**. There was no market-clearing price established for Used quota. The results of the September 2005 Quota Exchange are outlined in the following Tables.

The next monthly Quota Exchange for the 2005-2006 dairy year will be held on October 17, 2005. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight, October 6, 2005. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange.

Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase. To determine the clearing price of Total Production Quota, the bids to buy may be adjusted to five percent of annual production quota issued. This is necessary to avoid price distortion from excessively large bids.

TABLE I

UNUSED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$ 66.00**
Kilograms offered to Purchase – total	**6,100**
Kilograms offered to purchase at 5% adjustment	**3,800**
Kilograms offered to Sell	**17,738**
Kilograms sold	**101**
Number of Producers	
- offered to purchase	**3**
- purchased quota	**1**
- offered to sell	**44**
- sold quota	**1**

UNUSED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
50.00	0	0	0	0	-3,800	3,800	1,000	3	1
60.00	1	1	101	101	-2,699	2,800	0	2	0
66.00	**0**	**1**	**0**	**101**	**-2,699**	**2,800**	**834**	**2**	**1**
67.50	1	2	6,723	6,824	4,858	1,966	0	1	0
69.50	0	2	0	6,824	4,858	1,966	1,966	1	1
76.50	7	9	7,092	13,916	13,916	0	0	0	0
94.00	1	10	3,822	17,738	17,738	0	0	0	0

TABLE II

USED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$ ------**
Kilograms offered to Purchase – total	**-------**
Kilograms offered to Sell	**-------**
Kilograms sold	
Number of Producers	
- offered to purchase	
- purchased quota	
- offered to sell	
- sold quota	

USED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
------	0		0				0		0

QUOTA SWAP EXCHANGE

The first Quota Swap Exchange was conducted on September 15, 2005. The market-clearing price was **$7.00 per kilogram of butterfat**. The results of the Quota Swap Exchange are outlined in the following Table.

The next monthly Quota Swap Exchange will be held on October 17, 2005. All offers to swap quota through the Quota Exchange must be received at the Board office by midnight, October 6, 2005. The Board recommends that offers and bids to swap be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Swap Exchange, the price on offers to swap out unused quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Quota Swap Exchange.

Conversely, the price on offers to swap in unused quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Quota Swap Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered to swap out and the accumulated volume offered to swap-in.

TABLE III

QUOTA SWAP EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$ 7.00**
Kilograms offered to swap in	**3,800**
Kilograms offered to swap out	**6,000**
Kilograms swapped	**2,300**
Number of Producers	
- offered to swap in	**2**
- swapped in quota	**1**
- offered to swap out	**1**
- swapped out quota	**1**

QUOTA SWAP EXCHANGE

Price ($/kg b.f.)	No. of Sellers (swap out)	Cumulative Sellers (swap out)	Kgs b.f. offered to swap out	Cumulative swaps out	Cumulative swaps out less Cumulative swaps in	Cumulative purchases (swap in)	Kgs b.f. offered to swap in	Cumulative Buyers (swap in)	No. of buyers (swap in)
5.00	0	0	0	0	-3,800	3,800	1,500	2	1
6.00	1	1	6,000	6,000	3,700	2,300	0	1	0
7.00	**0**	**1**	**0**	**6,000**	**3,700**	**2,300**	**2,300**	**1**	**1**

BUTTERFAT PRODUCTION AND COMPONENT PRICING, AUGUST 2005

Butterfat production for August 2005 totalled approximately 672,105 kilograms. This was approximately 1.52% lower than August 2004 shipments. **For the first month of the 2005-2006 dairy year, Saskatchewan's allocation of Total Production Quota totalled approximately 684,616 kilograms. In the first month, the province has shipped 98.02% of that amount.**

The weighted average component tests and prices for the province in August are indicated in Table IV.

TABLE IV

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.6812	$10.2840
Protein	3.2837	$7.2840
Other Solids (S.N.F.)	5.6365	$1.0610

Based on the average component tests for the province, the average price received was $67.7565 per hectolitre.

SASKATCHEWAN MILK POOL RESULTS August 2005

TABLE V

Milk Sale Revenue	$ 12,422,664.39
Western Milk Pool	$ 20,962.60
Dairy Farmers of Canada Skim Off	$ -18,143.18
Plant of Last Resort Service	$ -56,407.85
Total Pool Value	**$ 12,369,075.96**

ACCOUNTING VALUES FOR CLASSES OF MILK – September 2005

TABLE VI

	Butterfat ($/kg)	**Protein ($kg)**	**Other Solids ($/kg)**
Class 1a	$5.3000	$5.4908	$5.4908
Class 1b	$5.3000	$6.6286	$6.6286
Class 1c	$5.3000	$44.50 (per hl. skim milk)	
	Butterfat ($/kg)	**Protein ($/kg)**	**Other Solids ($/kg)**
Class 2	$7.2333	$5.1141	$5.1141
Class 3a	$7.2333	$11.9171	$0.7978
Class 3b	$7.2333	$11.6866	$0.7832
Class 4a, 4b, 4d & 4d(i)	$7.2333	$4.7347	$4.7347
Class 4a(i)	$7.2333	$1.4000	$1.4000
Class 4c	$7.2333	$3.9612	$3.9612
Class 4m	$0.00	$0.00	$0.00
Class 5a	$4.8539	$6.2557	$0.3448
Class 5b	$4.8539	$2.1319	$2.1319
Class 5c	$3.3740	$2.0000	$2.0000
Class 5d	**As determined by**	**the CDC**	

2005-2006 DAIRY YEAR - QUOTA CHANGES

Producers will start the new dairy year with 8,162,344 kilograms of butterfat for the province. This represents a 0.62% increase in Total Production Quota (TPQ) compared to the 8,112,019 kilograms of butterfat held by the province at the end of the previous dairy year.

In addition, the Western Milk Pool has experienced sufficient growth in fluid milk consumption to trigger an increase in the fluid portion of producers' Total Production Quota. As a result, TPQ for the province will increase by 0.63% to 8,213,963 kilograms of butterfat. This increase will come into effect on September 1, 2005.

CHANGES TO QUOTA MANAGEMENT SHEETS

The Board has modified the Quota Management Sheet provided to producers by adding extra information that producers may find beneficial when making quota management decisions.

First Six Months

- **Estimated amount to swap out if under producing.**

This provides the producer with an estimate of the amount of unused quota to swap out to achieve 97% of their allocated quota for the first six months of the dairy year. **Please note that it is not mandatory to achieve 97% in the first six months. However, there is a risk to producers who do not achieve 97% after six months, that being, individual producer quota suspension for the entire dairy year if the province as a whole does not achieve 97% in the first six months**. If the province is over 97% at the end of the first six months, producers will not have their quota suspended even if they have not reached 97% of personal quota allocation.

- **Estimated amount to swap in if over 100% in the first six months.**

This provides the producer with an estimate of the amount of unused quota to swap in order to achieve 100%. By so doing, the producer will be able to bring production into line and recover some, or all, of the over quota (4m) money held by the Board.

Dairy Year-End requirements

- **97% of yearly allocation.**

This provides the producer with the minimum amount he/she must produce by July 31st (dairy year end) in order to prevent loss of quota.

- **Percent shipped to the present month based on producing 100%.**

This provides the producer with the percentage shipped year-to-date.

- **Amount to swap out if under producing.**

This provides the producer with an estimate of how much unused quota to swap out in order to achieve 100% of his quota allocation.

- **Amount to swap in if over producing.**

This provides the producer with an estimate of how much unused quota to swap in to achieve 100% of the quota allocation and to recover over quota (4m) money held by the Board.

YEAR END WITHIN QUOTA REFUND

At year-end, the Board held a total of approximately $374,000 of domestic/4m difference refund. This amount is based on the domestic/4m differences accumulated monthly, minus refunds of the differences due to quota purchased and/or swapped during the dairy year.

The Board will distribute these funds to **every** producer who shipped milk from August 1, 2004 to July 31, 2005. These refunds will be based on each individual producer's within quota production for the period that he or she shipped milk. Producers who ceased producing milk

during the dairy year will be refunded on the basis of their shipments within the quota allocation for the production period. Refunds can be expected by mid-October, 2005.

QUOTA MANAGEMENT TABLES

As part of this mail-out, the Board is providing each producer with final butterfat and quota management Tables showing actual kilograms of milk and butterfat production and utilization for the 2004-2005 dairy year. As well, please find enclosed your quota management results for August, 2005. These Tables indicate the percentage of each producer's quota allocation utilized as well as the kilograms of butterfat produced by these shipments.

For the 2005-2006 dairy year, the Board will continue to provide these Tables on a monthly basis. We hope this information will assist producers with their management decisions regarding the utilization of their butterfat quota. Again, we will use actual figures where possible, and estimates for the balance of the dairy year. These estimates will use butterfat average for the past five dairy years and your production figures for the past dairy year.

If you have any questions concerning the information provided, please contact our office.

QUOTA POLICY AND QUOTA LICENSE

Included in this mail-out is the Saskatchewan Milk Control Board Quota Policy for the 2005-2006 dairy year for your information. Also included is your Quota License that indicates your August 1, 2005 Total Production Quota. If you have any questions with regard to the policy or your quota license, please do not hesitate to contact our office.

JOINT MILK CONTROL BOARD/DAIRY FARMERS OF SASKATCHEWAN PRODUCER MEETINGS

The Board and DFS are pleased to announce that they will once again hold the next session of producer meetings as a joint effort. The schedule of meetings will be as follows:

Date	Time	District	Location
Monday, October 31	10:00 a.m.	#2 Swift Current	F.O.A. Eagles 1910 Service Rd. W, Swift Current
Tuesday, November 1	10:00 a.m.	#4 & #5 Yorkton	St. Mary's Parish, Ukrainian Catholic Cultural Center 240 Wellington St. Yorkton
Wednesday, November 2	10:00 a.m.	#1 & #3 Francis	Francis Hall, Francis
Thursday, November 3	10:00 a.m.	#10 Melfort	Travelodge 101 Spruce Haven Rd. ,Melfort
Monday, November 7	9:30 a.m.	#6, #7, #8 & #9	Ramada Hotel Diefenbaker Room 806 Idylwyld Dr. N. ,Saskatoon

Please plan to attend. An agenda and package of information will be sent to producers with the October newsletter.

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows or swap quota is welcome to contact the Board office at (306) 787-5319. All prices and negotiations will be independent of the Milk Control Board.

Swap Used for Unused

- Tim @ Sovereign Colony (306) 882-2447 would like to swap 3000 kgs used for unused quota.

Quota for Sale

- Cows and quota for sale. Contact Wes @ Rosthern Agencies (306) 232-5525 cell (306) 232-7725
- Holstein cows and quota. Call Perry or Preston Haanen @ (306) 329-4604 or 329-4981
- Quota and cows for sale (approx. 14,000 kgs). Call Jerome Fisher @ (306) 365-4674
- Cows and quota for sale. Call John or Vicki Thiessen @ (306) 946-2339
- Quota for Sale. Call Glen or Joy Hamm @ (306) 594-2855

For Sale

- Fresh and springing cows and heifers
  - contact Mark Johnson (306) 725-4042
- Dairy Hay and 6 Holstein heifers to calve in October or November
  - contact Martin Sondergaard (306) 547-2205
- 17 two year old A.I. sired Holstein Heifers to start calving October 1
  - contact Del Mealing (306) 693-2543 cell (306) 681-8207
- 1995 Muller Bulk Tank 2000 gallon
  - contact Kevin Lischka at (306) 487-2663 or (306) 487-3227
- 20 head of young Holstein cows and bred heifers and 4 breeding age bulls
  - contact Les Fornwald at (306) 487-2784
- A Westfalian Systemat Tank 1000 gallon
  - contact Earl or Scott at Eaglewood Holsteins at (306) 329-4394

MILK CONTROL BOARD MEMBERS

Leonard Blocka, Chairman	Dairy producer
Dr. David Christensen	Dairy researcher/professor U of S
Joseph Guenther	Dairy producer
David Finlay	Dairy producer
Garf Stevenson	Consumer representative
Joanne Mortenson	Processor representative

For further information, please contact the Saskatchewan Milk Control Board office.

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